

Controller *John Chiang*

California State Controller's Office



2014 Spring Newsletter

Unclaimed Property Program

Volume 7, Issue 1

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Submitting the Holder Remit Report

Holder Remit Report season is approaching. Here are a few tips to help you through the process.

What should the Holder Remit Report package include?

You should include:

- The Universal Holder Face Sheet (UFS-1) form;
- A list of property owners either electronically or on the Owner Detail Sheet (UDS-1);
- Remittance of funds;
- Signed Holder Remit Reminder Letter (14-F) form; and,
- Security Summary (SS-1), if applicable.

Important UFS-1 reminders

An original signature is required for the State Controller's Office (SCO) to accept the UFS-1. The SCO does not accept photocopies or stamps in lieu of a signature. In addition, the dollar amount in Section F, "Holder Report Totals", must equal the dollar amount on the property owner list. If the UFS-1 is not completed correctly, it may cause the report to be late and result in an interest assessment per Code of Civil Procedure (CCP) section 1577.

Please be sure to include the correct "As of" date in Section A. This date determines your report cutoff date and which properties should be reported. Check your report against the Property Reporting Cycles found at http://www.sco.ca.gov/upd_rptg.html to ensure the property reported does not exceed the upper-end of the transaction date. If the "As of" date is missing or invalid, the report will not be processed until the UFS-1 is corrected.

Don't forget to include your report ID number, found on the Holder Remit Reminder Letter (14-F) form, in the box in the upper-right corner labeled "Report ID# for Holder Remit Report Only."

Reminders for correctly listing the property owners

The Holder Remit Report must contain the same property owner information as reported on the Holder Notice Report. Please remember, the UDS-1 form is acceptable only for holders reporting less than ten properties.



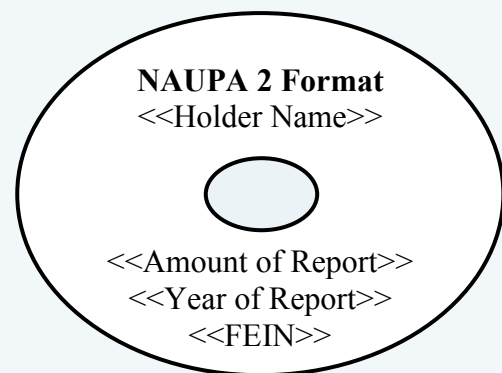
Electronic format must be used for ten or more properties by using the free reporting software found at http://www.sco.ca.gov/upd_form_rptg.html.

You should only make changes to the property owner information if it will help to identify the rightful owner. For example, you may add a social security number or an address. Do not change the format of the property owners name by adding a period, space or comma. For owner accounts that are no longer unclaimed, you may either exclude the owner accounts from the Holder Remit Report entirely or include the owner accounts on the Holder Remit Report with an appropriate pay or deletion type code and show the property remitted amount as zero.

Do not include new names when preparing the Holder Remit Report. If new names are found, prepare a Supplemental Holder Notice Report. More information on completing a Supplemental Holder Notice Report can be found in the [Winter 2013](#) edition of our newsletter. Please remember, if new names are added to a Holder Remit Report rather than submitted on a Supplemental Holder Notice Report, the Holder Remit Report may be subject to interest and penalties per CCP section 1577.

When sending in a CD, please label it with the following:

- Holder Name
- Dollar Amount of Report
- Year of Report
- Federal Employer Identification Number (FEIN)



Remitting property

When remitting property less than \$20,000, a check payable to the "California State Controller" or an electronic funds transfer may be remitted. Per CCP section 1532, any payment of \$20,000 or greater shall be made by electronic funds transfer. To establish an electronic funds transfer account with the SCO, please complete the Authorization Agreement for Electronic Funds Transfer found at http://www.sco.ca.gov/upd_form_rptg.html.

When remitting mutual funds, direct registration is required for transfer of open-end mutual fund shares to the SCO's broker. Please refer to the [Holder Handbook](#) for registration instructions and other specifications on remitting securities. All securities, with the correct Committee on Uniform Securities Identification Procedures (CUSIP) number, must be remitted with your Holder Remit Report. Failure to follow these instructions will result in delays in processing your Holder Remit Report.

Include a signed Holder Remit Reminder Letter (14-F) form

The SCO sends out a Holder Remit Report Reminder Letter (14-F) form to all holders once Holder Notice Reports and Supplemental Holder Notice Reports have been approved in the reporting system. This letter must be signed and returned with the Holder Remit Report.

If you have any additional questions, please contact the Reporting Unit at (916) 464-6284 or UCPReporting@sco.ca.gov.

Performing Due Diligence for the 2014 Report Year

It is not too late to send out due diligence letters for the 2014 report year. If you are planning to send a Holder Notice Report before November 1, 2014, due diligence must be performed by April 30, 2014. Holders are required to send due diligence notices to owners with a property value of \$50 (fifty dollars) or more prior to reporting the accounts to the SCO. Below is a sample of the three-year dormancy table:

Due Diligence Must be Performed	Notice Report Due Before	Remit Report & Remittance Due
10/31/13 – 4/30/14	11/1/14	6/1/15 – 6/15/15

The complete table is found at http://www.sco.ca.gov/upd_rptg.html.

Is there a sample due diligence letter?

Yes, a sample due diligence letter may be found at

http://www.sco.ca.gov/Files-UPD/outreach_rptg_notice_duediligencesample.pdf.

What must the letter include?

- Per [CCP section 1520](#), the face of the notice must contain a heading at the top that reads as follows: "THE STATE OF CALIFORNIA REQUIRES US TO NOTIFY YOU THAT YOUR UNCLAIMED PROPERTY MAY BE TRANSFERRED TO THE STATE IF YOU DO NOT CONTACT US," or substantially similar language.
- The notice must specify the time when the property will escheat and the effects of escheat, including the need to file a claim in order for the owner's property to be returned to the owner.
- The notice requires an exclusive heading, in boldface type or in a font a minimum of two points larger than the rest of the notice, and must include the following information:
 - Specify that since the date of last activity, or for the last two years, there has been no owner activity on the deposit, account, shares, or other interest;
 - Identify the deposit, account, shares, or other interest by number or identifier, which need not exceed four digits;
 - Indicate that the deposit, account, shares, or other interest is in danger of escheating to the state; and,
 - Specify that the California Unclaimed Property Law requires banks, banking organizations, and financial organizations to transfer funds of a deposit, account, shares, or other interest if it has been inactive for three years.
- A form where the owner may confirm their current address. If that form is filled out, signed by the owner, and returned to the holder, it must be deemed that the account remains currently active and the escheat period starts over. In lieu of returning the form, the holder may provide a telephone number or other electronic means to enable the owner to contact the holder.

Can I charge a fee for sending due diligence letters?

Holders that are banking or financial institutions, as defined in [CCP section 1501](#), may charge up to \$2.00 for the cost of sending the notice on properties of \$2.00 or more as prescribed in [CCP section 1513.5\(b\)](#). Holders that are not banking or financial institutions may charge up to \$2.00 for the cost of sending the notice on properties of \$50 or more as prescribed in [CCP section 1520\(d\)](#).

Holders must show the fee was assessed on both the Holder Notice Report and the Holder Remit Report. When completing the report, enter the property amount in the "Reported Amount" field and the \$2.00 mailing charge (code MC) in the "Deducted Amount" field. This will subtract the \$2.00 charge from the "Reported Amount" field that is posted to the SCO's public website.

If you have additional questions, please contact the Reporting Unit at (916) 464-6284 or UCPReporting@sco.ca.gov.

Holder Warning: Ensure You are Communicating with the Correct Property Owner

When property owners contact a holder directly as a result of a due diligence letter sent by the holder or a pre-escheat letter sent by the SCO, the holder needs to determine if they are communicating with the rightful owner. Holders are responsible for establishing proper internal standards to determine if they are communicating with the rightful owner prior to returning property or updating the property account information.

Holder Tips

Listed below are a few tips to keep in mind prior to releasing funds.

- A holder should always request that the property owner provide proof of association to the property, such as:
 - Photo identification;
 - Proof of reported and/or current address; and/or
 - Proof of entitlement.
- A holder should always have a system in place to validate any documents provided.

- A holder should always exercise caution any time a property owner:
 - Requests to change the reported address;
 - Requests a wire transfer (especially overseas);
 - Is irate and not willing to go through the claims process;
 - Threatens legal action; and/or
 - Changes his or her story

If you believe the person you are communicating with does not meet the internal standards to demonstrate ownership, it is acceptable to send the property to the SCO. Once the SCO receives the property, the property owner may file a claim form along with proof of ownership to reclaim their property from the SCO at www.claimit.ca.gov.

If you have any questions, or need further assistance, please contact our Fraud Unit at (916) 464-6259 or email Gillian Knight at gknight@sco.ca.gov.

Introducing the Unclaimed Property Events Webpage

The Unclaimed Property Division (UPD) is pleased to announce the launch of the new Unclaimed Property Events webpage, available at http://www.sco.ca.gov/upd_events.html. On this webpage, you may view the list of upcoming Unclaimed Property events, as well as past webinar videos.

As part of our holder outreach and compliance program, representatives from the Outreach and Compliance Unit (OCU) are available to attend business events, workshops, and seminars as exhibitors and/or presenters. The OCU educates business owners about the unclaimed property law and reporting requirements for holders of unclaimed property. To request our participation at an upcoming event, please contact the OCU at (916) 464-6088 or UPDHolderOutreach@sco.ca.gov. To ensure you receive notifications for upcoming events, you may subscribe to our Unclaimed Property Events e-mail distribution list at http://www.sco.ca.gov/ucp_holder_notification_email.html.



Questions Regarding Securities

In an effort to improve reporting accuracy, we are providing frequently asked questions and answers for remitting securities to the SCO contracted broker.

Should I remit all the properties the owners are entitled to?

It has come to our attention that some companies are closing owner share accounts prior to the Holder Remit Report due date (June 1st – June 15th). When accounts are closed prior to June 1st, dividends and corporate actions (stock splits, spin-off's, etc.) earned through the end of May are not posted to the accounts and the Holder Remit Report does not include all property belonging to the owners. Please ensure your Holder Remit Report includes all dividends earned up to the date the securities are remitted to the SCO.

What should I do with accumulated dividends and corporate actions (stock splits, spin-offs, etc.) earned on shares placed in an account in SCO's name prior to transferring the shares to the SCO's contracted broker, Wells Fargo Advisor?

Dividends should not be accumulating in an account in the State Controller's Office name after the remit period ends. In some instances, holders move shares to an account to facilitate the transfer to SCO's contracted broker. However, dividends (cash dividends or reinvested dividends) and corporate actions earned during this period are posted to this account after the property shares have been delivered. These dividends should be correctly allocated to each owner and remitted along with the shares. If these dividends are sent after the Holder Remit Report is due, the holder must provide a breakdown of how these dividends should be applied to the properties along with the account statement. As a reminder, the SCO does not participate in dividend reinvestment plans.

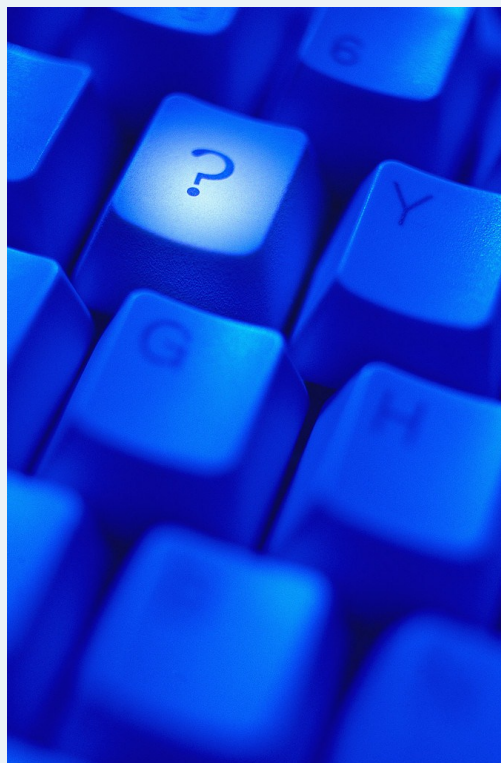
Only non-transferable securities should be placed into an account in the SCO's name after receiving prior approval from the SCO, and confirmation of non-transferability from the SCO's contracted broker. In addition, if an owner's account is reinstated prior to June 1st, the holder must pay the

owner any dividends and corporate actions earned. If there are dividends and corporate actions belonging to an owner whose account has been erroneously transferred to the SCO's contracted broker, the holder will need to submit a [Holder's Claim for Reimbursement \(HCR-1\)](#) form to have the property returned.

Can we as the holder establish a "State account" in the name of the SCO without permission?

No, California law and regulations make it clear that securities must be delivered to the SCO's contracted broker, **not maintained in a book account held by the company. Securities are not considered delivered to the SCO until credited to the SCO's account with the SCO's contracted broker.** It is the holder's responsibility to remit securities in accordance with California's requirements. Failure to remit securities to the SCO's contracted broker may result in interest assessments as directed by CCP section 1577 for late securities remittances.

If you have questions or need further assistance, please contact the Securities Unit at (916) 464-7123 or by email at updsecrecon@sco.ca.gov.



Sending Funds Electronically with the Holder Remit Report

If your Holder Remit Report exceeds \$20,000, please remember the funds must be remitted by electronic funds transfer (EFT) per CCP section 1532. Failure to comply with the CCP section 1532 requirement will subject you to a civil penalty of 2% of the amount of the payment that is due pursuant to this section. Payment may be made using a variety of methods, including the Automated Clearing House (ACH) Debit, ACH Credit, Fedwire, or International Funds Transfer. The following are important points to remember when remitting property via EFT:

- If multiple checks are remitted exceeding \$20,000 from the same holder Federal Employer Identification Number, you will also be subject to a 2% penalty if not remitted electronically.
- If you are submitting one wire for multiple reports, please be sure to include a list of report ID numbers and the breakdown of the funds so both the EFT Unit and the Reporting Unit are able to apply the funds correctly. This list must be sent to updscoeft@sco.ca.gov prior to transferring the funds. You will also need to include this information with each Holder Remit Report. Failure to provide a list of report ID numbers and remittance amount detail will cause the report to be rejected and may subject the report amount to an interest assessment.
- If you need to establish an ACH Debit or ACH Credit account with the SCO EFT Unit, we recommend you do so during the off-peak season from now until April 30, 2014. There is no need to contact the EFT Unit unless you have changed banking information since the initial account setup. ACH Debit is the preferred method for remitting funds and will expedite processing.
- To establish an EFT account with the SCO, please complete the Authorization Agreement for Electronic Funds Transfer found at http://www.sco.ca.gov/upd_form_rptg.html.

- When establishing an ACH Debit account, please be sure that the account used is a checking or savings account. If a general ledger account or trust account is used to submit funds electronically, the payments will be rejected.
- The SCO offers a free web payment service that is available only through the ACH Debit payment option. Holders may process EFT payments conveniently and securely online at <http://www.paycalifornia.com/sco>. Additionally, payments can be made by calling 1-800-554-7500.



For more information on EFT, please refer to the Unclaimed Property Holder Handbook located at http://www.sco.ca.gov/upd_rptg.html.

If you have questions or need further assistance, please contact the EFT Unit at (916) 464-6220 or at updscoeft@sco.ca.gov.

Important Upcoming Dates

April 30th: Last day to perform Due Diligence for the 2014 Report Year

June 1-15 : Holder Remit Reports Due



Contact Us

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Unclaimed Property Division
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Reporting Assistance: (916) 464-6284

Claims Assistance: (800) 992-4647

(outside USA): (916) 323-2827

1577 Interest Assessment Unit: (916) 464-6092
(for CA CCP §1577 inquiries)
1577info@sco.ca.gov

Outreach and Compliance Unit: (916) 464-6088
UPDcompliance@sco.ca.gov

Questions regarding securities: (916) 464-7123
UPDSecRecon@sco.ca.gov

Questions regarding EFT
Remittance: (916) 464-6220
UPDSCOft@sco.ca.gov

Please send your newsletter comments, ideas, or concerns to: UPDHolderOutreach@sco.ca.gov